

Message Text

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PAGE 01 KUWAIT 02425 090754Z

17

ACTION NEA-10

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USDOC FOR MEPD

E.O. 11652: NA
TAGS: BEXP, KU
SUBJ: KUWAIT MAGNESIUM-OXIDE PROJECT.

1. WE HAVE LEARNED THAT GROUP OF LOCAL INVESTORS SERIOUSLY CONSIDERING ESTABLISHMENT OF MAGNESIUM-OXIDE (MGO) OPERATION HERE. COMPANY HAS BEEN IN TOUCH WITH AT LEAST TWO MAJOR US FIRMS, ONE OF WHICH IS CARBORUNDUM. KUWAITI GROUP HAS ALSO BEEN IN TOUCH WITH SOME EUROPEAN FIRMS, BUT THINK THEY WOULD PREFER TO WORK WITH AMERICANS IF POSSIBLE. WE UNDERSTAND US FIRMS KEENLY INTERESTED IN PROJECT, WHICH WILL PROBABLY BE IN THE \$100-150 MILLION CATEGORY. DISCUSSION ON KUWAITI SIDE WILL BE LEAD BY INTERNATIONAL FINANCIAL ADVISERS, (IFA), WHICH PARTLY OWNED BY AMERICAN INVESTMENT BANKER WILLIAM KENT OF GREENWICH, CONNECTICUT.

2. COMMENT: MGO PROJECT HAS EXCITED INTEREST OF KUWAITIS AND OTHERS BECAUSE BASIC RAW MATERIAL WHICH IS BRINE LEFT OVER FROM DESALTED SEA WATER IS HERE IN ABUNDANCE. THEREFORE, UNLIKE MOST NON-PETROLEUM RELATED PROJECTS BASIC RAW MATERIALS EXIST IN KUWAIT. PROJECT IS CAPITAL INTENSIVE AND WILL REQUIRE CHEAP ENERGY TO BE ECONOMIC. WE UNDERSTAND THAT MARKET FOR MGO DERIVATIVES EXIST IN REGION. NEAREST MGO PLANT, WE HAVE BEEN TOLD, IS IN SARDINIA. IN SHORT, PROJECT AT FIRST BLUSH APPEARS ECONOMICALLY FEASIBLE AND WE BELIEVE THERE GOOD CHANCE THIS COULD DEVELOPE INTO MAJOR OPPORTUNITY FOR AMERICAN FIRMS.

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IN LIGHT CONFIDENTIAL DISCUSSIONS ALREADY UNDERWAY WITH US

FIRMS, REQUEST COMMERCE WITHHOLD THIS INFORMATION FOR TIME
BEING. EMBASSY WILL ADVISE RE DEVELOPMENTS AS THEY BECOME
KNOWN TO US.
MAU

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